

Kosmas Calls on Credit Card Companies to Stop Unfair Rate Hikes

Joins Colleagues in Sending Letter Encouraging Freeze on Rate Increases

October 7, 2009

(Washington, DC) – Congresswoman Suzanne Kosmas (FL-24) today joined a group of 18 House members in sending a letter to the country's major credit card companies, calling on them to pledge to not change the terms on consumer credit card accounts ahead of federal credit card reform legislation slated to go into effect in February, 2010.

Yesterday, it was reported that Bank of America will be freezing rates ahead of the effective date of the Credit CARD Act (ABC News, 10/6/2009). The 18 Members of Congress sent their letter today to the Chief Executive Officers of Citigroup, JPMorgan Chase & Co, American Express Co, Capital One Financial Corp, and Discover Financial Services encouraging them to follow Bank of America's lead and protect consumers from unfair rate increases.

“During these difficult economic times, with high unemployment and families facing the loss of their homes and health insurance, it is wrong for Central Floridians to be hit by unfair credit card rate increases,” said Congresswoman Kosmas. “Bank of America has done the fair and responsible thing by freezing their credit card rates. Urging others to follow this lead and follow the spirit of the recently passed bipartisan bill is an important step we can take to help protect consumers ahead of these new regulations.”

The Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act) is legislation that levels the playing field between card issuers and cardholders by applying common-sense regulations to increase consumer protections against unfair, deceptive, and anti-competitive credit card practices. The Credit CARD Act was signed into law by the President on May 22nd, 2009.

Full text of the letter can be found below:

October 7, 2009

Vikram Pandit

Citigroup Chief Executive Officer

399 Park Avenue

New York, NY 10022

Dear Mr. Pandit,

We have received an increasing number of complaints from our constituents regarding practices in the credit card industry unreasonably raising rates in advance of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act) reforms. As you know this critical legislation was signed into law by President Obama several months ago.

Many of these unreasonable increases would be prohibited under the Credit CARD Act. The implementation of these necessary reforms should not be taken as an indication that the industry should take advantage of consumers now before the prohibitions come into effect. According to a report by The Pew Charitable Trust, interest rates for cardholders have increased an average of 20% this year from issuers who are rapidly changing account agreements, revoking promotional rates, and imposing interest rate increases on existing balances, including those less than 30 days past due. Such actions violate the notions of fair play and create an economic burden on our constituents, many of whom are struggling to make ends meet.

What makes this situation particularly troubling is the fact that the effective date for the majority of the provisions in this legislation was set for February of 2010 to give credit card companies time to implement the new federal regulations – not additional time to violate the spirit of the law by changing the terms of agreements, including raising interest rates on consumers.

In response to such actions, Representative Carolyn Maloney and Chairman Barney Frank have suggested that quicker implementation of The Credit Card Act is necessary. Representative Maloney has introduced H.R. 3639, which has been referred to the House Committee on Financial Services.

Yesterday, Bank of America announced that due to concerns from their customers, they would not implement any changes to customer agreements that would re-price consumer credit card accounts. Bank of America's actions are a good first step; now the rest of the industry should follow their example.

We urge you to immediately reconsider your practices regarding raising credit card rates prior to the full implementation of the Credit CARD Act. We encourage you to follow the appropriate and responsible example set forth by Bank of America.

Sincerely,

Betsy Markey

Member of Congress

Dina Titus

Member of Congress

Ed Perlmutter

Member of Congress

John Salazar

Member of Congress

Shelley Berkley

Member of Congress

Mary Jo Kilroy

Member of Congress

Steve Driehaus

Member of Congress

Harry Teague

Member of Congress

John Adler

Member of Congress

Suzanne Kosmas

Member of Congress

Ben Ray Luján

Member of Congress

Marcia Fudge

Member of Congress

Neil Abercrombie

Member of Congress

Martin Heinrich

Member of Congress

Henry Cuellar

Member of Congress

David Wu

Member of Congress

John Boccieri

Member of Congress

Phil Hare

Member of Congress

CC: JPMorgan Chase & Co American Express Co

Capital One Financial Corp Discover Financial Services